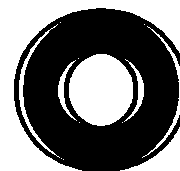


# MACQUARIE BANK LIMITED

A.C.N. 008 583 542

## Extracts from the 2001 Financial Report



MACQUARIE  
BANK

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**MACQUARIE BANK LIMITED**  
*and its controlled entities*

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**MACQUARIE BANK LIMITED**

*and its controlled entities*

**PROFIT AND LOSS STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2001**

	Notes	<b>Consolidated 2001 \$'000</b>	Consolidated 2000 \$'000	<b>Bank 2001 \$'000</b>	Bank 2000 \$'000
Net interest and similar income	1	<b>179,145</b>	186,830	<b>36,398</b>	84,101
Trading income	1	<b>429,108</b>	268,145	<b>414,932</b>	214,907
Net fee and commission income	1	<b>855,447</b>	661,417	<b>439,096</b>	304,923
Net gain arising from BTIB acquisition and integration	1	-	3,797	-	3,797
Other operating (expenses)/income	1	<b>(7,817)</b>	66,286	<b>73,922</b>	197,665
<b>Total Operating Income</b>	<b>1</b>	<b>1,455,883</b>	1,186,475	<b>964,348</b>	805,393
Employment expenses	1	<b>(774,564)</b>	(625,652)	<b>(558,536)</b>	(476,851)
Occupancy expenses	1	<b>(76,190)</b>	(52,496)	<b>(55,612)</b>	(36,176)
Non-salary technology expenses	1	<b>(69,195)</b>	(56,183)	<b>(54,101)</b>	(45,692)
Other operating expenses	1	<b>(210,616)</b>	(150,727)	<b>(42,655)</b>	(30,135)
<b>Total Operating Expenses</b>	<b>1</b>	<b>(1,130,565)</b>	(885,058)	<b>(710,904)</b>	(588,854)
Operating profit before income tax		<b>325,318</b>	301,417	<b>253,444</b>	216,539
Income tax (expense)/benefit	2	<b>(53,352)</b>	(79,006)	<b>16,799</b>	(60,421)
<b>Operating Profit after Income Tax</b>		<b>271,966</b>	222,411	<b>270,243</b>	156,118
Outside equity interest in operating loss after income tax		<b>1,310</b>	189	-	-
Distribution paid or provided on Macquarie Income Securities	3	<b>(31,312)</b>	(12,352)	-	-
<b>Operating Profit after Income Tax attributable to Ordinary Equity Holders</b>		<b>241,964</b>	210,248	<b>270,243</b>	156,118
Retained earnings at the beginning of the financial year		<b>472,303</b>	405,537	<b>230,942</b>	222,127
Amounts transferred (to)/from reserves		-	-	<b>(58,892)</b>	-
Adjustment resulting from change in accounting policy for investment in associates		-	(610)	-	-
Adjustment resulting from change in accounting policy for consolidation of life insurance business		-	4,431	-	-
Less: Dividends paid or provided on ordinary shares	3	<b>(163,292)</b>	(147,303)	<b>(163,292)</b>	(147,303)
<b>Retained Earnings at the end of the Financial Year</b>		<b>550,975</b>	472,303	<b>279,001</b>	230,942
Cents Per Share					
<b>Earnings per Share</b>	4	<b>138.88</b>	124.33		

**MACQUARIE BANK LIMITED**  
and its controlled entities

**BALANCE SHEETS**  
**AS AT 31 MARCH 2001**

	Notes	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
<b>ASSETS</b>					
Cash and liquid assets		243,588	219,227	173,518	131,965
Bullion		119,691	84,194	119,691	84,194
Due from clearing houses		51,000	106,723	36,466	91,029
Securities purchased under resale agreements		3,323,365	1,951,273	3,136,528	1,951,273
Securities		4,352,937	4,657,572	3,994,626	4,305,915
Due from other financial institutions		455,996	959,153	397,458	953,124
Due from governments		696,125	648,886	450,498	445,333
Loans and advances		6,231,236	4,571,619	4,923,113	3,798,649
Lease receivables		385,813	338,660	70,759	107,630
Other assets		8,979,366	6,720,213	8,804,451	5,640,001
Life Company investment assets		2,579,798	2,909,991	-	-
Due from controlled entities		-	-	1,935,861	1,273,708
Investments		146,568	65,629	66,515	40,302
Fixed assets		108,347	88,736	99,991	82,207
Future income tax benefit		174,035	67,140	115,102	87,561
Investments in controlled entities		-	-	1,157,493	1,063,206
<b>Total Assets</b>		<b>27,847,865</b>	<b>23,389,016</b>	<b>25,482,070</b>	<b>20,056,097</b>
<b>LIABILITIES</b>					
Due to other financial institutions		517,700	756,234	485,737	755,132
Due to clearing houses		13,020	2,506	-	943
Securities sold under repurchase agreements		1,700,702	987,549	1,700,702	987,549
Securities borrowed		760,254	1,710,266	1,103,401	1,799,860
Deposits		3,865,031	3,961,703	3,831,416	3,741,991
Due to governments		254,933	220,605	-	-
Negotiable certificates of deposit		2,411,870	2,556,400	2,411,870	2,556,400
Notes payable		5,587,870	2,515,199	5,667,870	2,595,199
Other liabilities		8,094,855	5,789,891	7,557,313	4,884,301
Life Company policy liabilities		2,535,488	2,802,796	-	-
Due to controlled entities		-	-	787,193	845,516
Provision for dividend and distributions	3	97,856	95,394	91,452	89,336
Provision for income tax		24,031	28,841	6,219	11,536
Provision for deferred income tax		137,864	170,716	-	-
Provision for employee entitlements		49,139	39,777	47,831	39,545
Provision for uncertainties		54,258	46,810	51,607	44,159
<b>Total Liabilities excluding Loan Capital</b>		<b>26,104,871</b>	<b>21,684,687</b>	<b>23,742,611</b>	<b>18,351,467</b>
<b>Loan Capital</b>					
Subordinated debt		255,546	319,459	255,546	319,459
Converting Preference Shares		150,000	150,000	150,000	150,000
<b>Total Liabilities</b>		<b>26,510,417</b>	<b>22,154,146</b>	<b>24,148,157</b>	<b>18,820,926</b>
<b>SHAREHOLDERS' EQUITY</b>					
Ordinary share capital		391,635	372,815	391,635	372,815
Macquarie Income Securities		391,303	390,053	391,303	390,053
Investment revaluation reserve		-	-	271,974	241,361
Retained earnings		550,975	472,303	279,001	230,942
Total Shareholders' Equity		1,333,913	1,235,171	1,333,913	1,235,171
Outside equity interests in controlled entities		3,535	(301)	-	-
<b>Total Liabilities, Shareholders' Equity and Outside Equity Interests</b>		<b>27,847,865</b>	<b>23,389,016</b>	<b>25,482,070</b>	<b>20,056,097</b>

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**MACQUARIE BANK LIMITED**  
and its controlled entities

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2001**

	Consolidated 2001 \$'000	Consolidated 2000 \$'000	Bank 2001 \$'000	Bank 2000 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest and bill discounts received	1,017,413	825,409	884,502	723,721
Interest and other costs of finance (paid)	(790,258)	(633,441)	(781,679)	(683,209)
Dividends and trust income received	71,432	151,543	168,198	48,791
Fees, royalties and commissions received	956,544	717,400	493,060	325,840
Fees and commissions (paid)	(132,184)	(134,260)	(58,615)	(42,639)
Net (payments and proceeds)/receipts from dealing in financial instruments and commodities	(1,518,219)	(487,855)	(1,355,749)	19,950
Customer loans (granted)/repaid	(1,111,478)	750,162	(1,295,895)	687,097
Recovery of loans previously written off	327	1,621	203	1,621
Leases repaid/(granted)	34,857	(28,571)	160,363	64,350
Net increase/(decrease) in money market and other deposit accounts	2,525,856	(565,785)	2,646,764	(538,422)
Employment expenses (paid)	(727,237)	(531,752)	(528,844)	(383,032)
Net receipts/(payments) from debtors and creditors (inclusive of Goods & Services Tax)	24,950	(172,837)	(47,257)	(13,013)
Income taxes (paid)	(141,305)	(97,784)	(27,193)	(38,000)
Premiums received by Life Company	1,738,731	1,919,741	-	-
(Policy payments) by Life Company	(2,118,384)	(2,239,578)	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>(168,955)</b>	<b>(525,987)</b>	<b>257,858</b>	<b>173,055</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payment for acquisition of business, net of cash acquired	-	(59,872)	-	(59,872)
Payment for acquisition of controlled entities, net of cash acquired	-	(17,536)	-	(29,536)
Investments in controlled entities	-	-	(115,320)	-
Proceeds on sale of controlled entities	81,577	-	38,678	-
Payments for investments by Life Company	(7,348,977)	(6,137,440)	-	-
Proceeds from realisation of investments by Life Company	7,619,273	6,362,474	-	-
Payments for fixed assets	(66,636)	(116,269)	(61,152)	(91,010)
Proceeds on sale of fixed assets	5,012	30,145	4,918	27,217
<b>Net Cash Flows from Investing Activities</b>	<b>290,249</b>	<b>61,502</b>	<b>(132,876)</b>	<b>(153,201)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings advanced to Life Company	-	10,202	-	-
Transfer of profits to shareholders' equity by Life Company	-	11,500	-	-
Proceeds from the issue of ordinary share capital	59,665	127,090	54,820	127,090
On-market buy back of ordinary share capital	(36,000)	-	(36,000)	-
Proceeds from issue of Converting Preference Shares	-	150,000	-	150,000
Proceeds from issue of Macquarie Income Securities	-	400,000	-	-
Repayment of subordinated debt	(85,000)	-	(85,000)	-
Transaction costs from issue of debt and equity securities	-	(15,329)	-	(15,329)
Dividends and distributions paid	(203,242)	(130,115)	(172,276)	(123,820)
<b>Net Cash Flows from Financing Activities</b>	<b>(264,577)</b>	<b>553,348</b>	<b>(238,456)</b>	<b>137,941</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(143,283)</b>	<b>88,863</b>	<b>(113,474)</b>	<b>157,795</b>
Cash at the beginning of the financial year	321,500	232,637	220,107	62,312
<b>Cash at the end of the Financial Year</b>	<b>178,217</b>	<b>321,500</b>	<b>106,633</b>	<b>220,107</b>

**MACQUARIE BANK LIMITED**  
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**AS AT 31 MARCH 2001**

	<b>Consolidated 2001 \$'000</b>	Consolidated 2000 \$'000	<b>Bank 2001 \$'000</b>	Bank 2000 \$'000
<b>1. OPERATING PROFIT</b>				
Operating profit before income tax has been determined after crediting as income/(charging as expense):				
<b>Interest and Similar Income</b>				
Interest income received/receivable:				
- controlled entities	-	-	<b>33,988</b>	61,317
- other entities	<b>939,203</b>	856,479	<b>810,273</b>	711,523
Interest expense paid/payable:				
- controlled entities	-	-	<b>(26,284)</b>	(20,965)
- other entities	<b>(839,337)</b>	(741,079)	<b>(821,417)</b>	(703,772)
Finance lease rental income	<b>79,279</b>	71,430	<b>39,838</b>	35,998
<b>Total Net Interest and Similar Income</b>	<b>179,145</b>	186,830	<b>36,398</b>	84,101
<b>Trading Income</b>				
Arising from trading instruments	<b>294,808</b>	169,790	<b>323,407</b>	147,223
Arising from other securities	<b>(592)</b>	-	<b>(2,100)</b>	-
Net gains on foreign currency trading	<b>63,602</b>	38,298	<b>63,602</b>	38,298
Dividends received/receivable	<b>71,290</b>	60,057	<b>30,023</b>	29,386
<b>Total Trading Income</b>	<b>429,108</b>	268,145	<b>414,932</b>	214,907
<b>Fee and Commission Income</b>				
- revenue	<b>968,236</b>	778,500	<b>496,622</b>	348,787
- expense	<b>(131,095)</b>	(132,613)	<b>(57,526)</b>	(43,864)
	<b>837,141</b>	645,887	<b>439,096</b>	304,923
Life Insurance Business				
- revenue	<b>34,785</b>	36,254	-	-
- expense	<b>(16,479)</b>	(20,724)	-	-
<b>Total Net Fee and Commission Income</b>	<b>855,447</b>	661,417	<b>439,096</b>	304,923
<b>Total Net Gain arising from BTIB Acquisition and Integration</b>	-	3,797	-	3,797
<b>Other Operating Income/(Expenses)</b>				
Share of associates' operating profit/(loss) after income tax for the financial year (refer Note 29)	<b>(315)</b>	3,745	-	-
Dividends received/receivable:				
- controlled entities (refer Note 28)	-	-	<b>135,343</b>	147,815
Loss on sale of controlled entities (refer Note 27)	-	-	<b>(51,578)</b>	-
Provision for uncertainties (refer Note 24)	<b>(7,448)</b>	2,820	<b>(7,448)</b>	2,820
Specific provisions (refer Note 24):				
- recovery of loans previously written off	<b>327</b>	1,621	<b>203</b>	1,530
- recovery of loans previously provided for	<b>1,217</b>	443	<b>1,086</b>	443
- specific provisions for loan losses	<b>(6,337)</b>	(7,151)	<b>(5,375)</b>	(6,836)
- loan losses written off	<b>(3,277)</b>	(1,564)	<b>(1,583)</b>	(221)
Life Company investment income on surplus in statutory funds	<b>3,217</b>	6,435	-	-
Other income	<b>18,350</b>	*67,667	<b>15,770</b>	*57,161
Other expenses	<b>(13,551)</b>	(7,730)	<b>(12,496)</b>	(5,047)
<b>Total Other Operating Income/(Expenses)</b>	<b>(7,817)</b>	66,286	<b>73,922</b>	197,665
<b>Total Operating Income</b>	<b>1,455,883</b>	1,186,475	<b>964,348</b>	805,393

\* Includes gain of \$52 million from partial realisation of investment in LookSmart Inc

**MACQUARIE BANK LIMITED**  
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
AS AT 31 MARCH 2001**

	<b>Consolidated 2001 \$'000</b>	Consolidated 2000 \$'000	<b>Bank 2001 \$'000</b>	Bank 2000 \$'000
<b>1. OPERATING PROFIT (CONT.)</b>				
<b>Employment Expenses</b>				
Provision for annual leave	(5,781)	(4,124)	(4,178)	(2,952)
Provision for long service leave	(4,195)	(2,495)	(3,088)	(1,462)
Salary and salary related costs, superannuation, performance-related profit share and staff training *	(764,588)	(619,033)	(551,270)	(472,437)
<b>Total Employment Expenses</b>	<b>(774,564)</b>	<b>(625,652)</b>	<b>(558,536)</b>	<b>(476,851)</b>
<b>Occupancy Expenses</b>				
Operating lease rental	(55,139)	(37,680)	(41,140)	(26,540)
Depreciation: furniture, fittings & leasehold improvements	(11,392)	(7,354)	(8,478)	(4,614)
Other	(9,659)	(7,462)	(5,994)	(5,022)
<b>Total Occupancy Expenses</b>	<b>(76,190)</b>	<b>(52,496)</b>	<b>(55,612)</b>	<b>(36,176)</b>
<b>Non-Salary Technology Expenses</b>				
Depreciation: computer equipment	(23,594)	(19,957)	(23,462)	(19,491)
Other	(45,601)	(36,226)	(30,639)	(26,201)
<b>Total Non-Salary Technology Expenses</b>	<b>(69,195)</b>	<b>(56,183)</b>	<b>(54,101)</b>	<b>(45,692)</b>
<b>Other Operating Expenses</b>				
Auditors' remuneration **				
- auditors' remuneration for auditing services	(1,696)	(879)	(476)	(636)
- auditors' remuneration for other services ***	(3,705)	(3,608)	(2,092)	(3,608)
<b>Total auditors' remuneration</b>	<b>(5,401)</b>	<b>(4,487)</b>	<b>(2,568)</b>	<b>(4,244)</b>
Other depreciation: communication equipment	(5,050)	(4,149)	(5,041)	(4,018)
Gain/(loss) on sale of fixed assets	(1,977)	723	(1,469)	41
Other operating expenses	(198,188)	(142,814)	(33,577)	(21,914)
<b>Total Other Operating Expenses</b>	<b>(210,616)</b>	<b>(150,727)</b>	<b>(42,655)</b>	<b>(30,135)</b>
<b>Total Operating Expenses</b>	<b>(1,130,565)</b>	<b>(885,058)</b>	<b>(710,904)</b>	<b>(588,854)</b>

\* Includes an amount for performance related profit share which has been provided for but not paid.

\*\* The Bank has borne the audit fees of its Australian controlled entities.

\*\*\* Other services provided by auditors include consulting services \$97,000 (2000: \$653,000), technical reviews \$124,000 (2000: \$689,000), project management \$Nil (2000: \$994,000), taxation and accounting advice and other compliance services \$2,245,000 (2000: \$731,000) and GST consulting \$1,239,000 (2000: \$541,000)

**MACQUARIE BANK LIMITED**  
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**AS AT 31 MARCH 2001**

	<b>Consolidated 2001 \$'000</b>	Consolidated 2000 \$'000	<b>Bank 2001 \$'000</b>	Bank 2000 \$'000
<b>2. INCOME TAX (EXPENSE)/BENEFIT</b>				
Prima facie tax on operating profit is reconciled to the income tax expense charged in the Profit and Loss Statements as follows:				
Income tax (expense)/benefit on operating profit *	<b>(113,693)</b>	(108,510)	<b>(88,438)</b>	(77,954)
Add/(deduct) tax effect of permanent differences:				
Effect of change in tax rates	<b>(3,299)</b>	(1,099)	<b>804</b>	(38,598)
Rebateable dividend income	<b>1,604</b>	3,260	<b>47,376</b>	54,764
Dividend paid/provided on Converting Preference Shares	<b>(3,875)</b>	(2,391)	<b>(3,875)</b>	(2,391)
Distribution paid/provided on Macquarie Income Securities	<b>10,956</b>	4,447	-	-
Recoupment of group tax losses	<b>15,890</b>	12,955	-	-
Rate differential on offshore income	<b>28,024</b>	11,038	<b>18,934</b>	7,530
Net effect of different tax rates for Life Company	<b>3,918</b>	3,319	-	-
Other items	<b>7,123</b>	(2,025)	<b>41,998</b>	(3,772)
	<b>60,341</b>	29,504	<b>105,237</b>	17,533
<b>Total Income Tax (Expense)/Benefit</b>	<b>(53,352)</b>	(79,006)	<b>16,799</b>	(60,421)

\* Prima facie income tax on operating profit is calculated at the rate of 36% on profit from 1 April to 30 September 2000 and at a rate of 34% on profits from 1 October 2000 to 31 March 2001 (2000: 36%)

The economic entity has a tax year ending on 30 September.

A further corporate tax rate reduction from 34% to 30% comes into effect for the economic entity on 1 October 2001. The deferred tax balances of the economic entity have been restated as at 31 March 2001 after taking into account the likely reversal date and nature of the underlying balances. It is expected that these deferred tax balances will be subject to further restatement as at 30 September 2001.

The economic entity is currently subject to an audit by the Australian Taxation Office. Some amended assessments have been issued by the Australian Taxation Office for the 1988 to 1993 years. Other issues of potential taxation liability have been raised but have not yet been subject to the issue of amended assessments. Objections have been lodged in respect of the amended assessments and the other issues of alleged liability are also disputed. In preparing this financial report the Directors have considered the information currently available and have taken legal advice as to the economic entity's tax liability and in accordance with this believe that provisions made are adequate.



**MACQUARIE BANK LIMITED**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
AS AT 31 MARCH 2001**

	<b>Consolidated 2001 \$'000</b>	Consolidated 2000 \$'000	<b>Bank 2001 \$'000</b>	Bank 2000 \$'000
<b>3. DIVIDENDS AND DISTRIBUTIONS PAID OR PROVIDED</b>				
<b>Ordinary Share Capital</b>				
Dividends paid	71,840	57,967	71,840	57,967
Dividends provided	91,452	89,336	91,452	89,336
<b>Total Dividends Paid or Provided</b>	<b>163,292</b>	147,303	<b>163,292</b>	147,303

The interim ordinary dividend paid during the financial year ended 31 March 2001 was 70% franked at 34% (2000: 65% franked at 36%). The final ordinary dividend provided as at 31 March 2001 is 70% franked at 30% (2000: 65% franked at 34%).

	Cents per Share			
<b>Cash Dividends per Share</b>	<b>93.0</b>	86.0	<b>93.0</b>	86.0

**Converting Preference Shares**

Dividends on these shares of \$11,070,000 (2000: \$6,642,000) have been charged to the Profit and Loss Statement as interest expense (refer Note 25 – Loan Capital). The dividend paid on 15 June 2000 was 65% franked at 36%, the dividend paid on 15 December 2000 was 70% franked at 34% and the dividend to be paid on 15 June 2001 will also be 70% franked at 34% (2000: 65% franked at 36%).

**Franking Credits Available for the Subsequent**

<b>Financial Year at the 30% (2000: 34%) Corporate Tax Rate</b>	<b>19,254</b>	10,336	-	-
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The franked portion of dividends proposed as at 31 March 2001 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax payable at the end of the financial year. The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- a) franking credits that will arise from the payment of income tax payable as at the end of the financial year;
- b) franking debits that will arise from the payment of dividends proposed as at the end of the financial year; and
- c) franking credits that may be prevented from being distributed in subsequent financial years.

**Macquarie Income Securities**

Distributions paid (net of distributions previously provided)	24,908	6,294	-	-
Distributions payable	6,404	6,058	-	-
<b>Total Distributions Paid or Payable for the Financial Year ended 31 March 2001</b>	<b>31,312</b>	12,352	-	-

The distributions paid/payable in respect of the Macquarie Income Securities are classified as distributions on an equity instrument in accordance with AASB 1033 "Presentation and Disclosure of Financial Instruments".

**MACQUARIE BANK LIMITED**  
and its controlled entities

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**AS AT 31 MARCH 2001**

	<b>Consolidated</b>	Consolidated	<b>Bank</b>	Bank
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000

**4. EARNINGS PER SHARE**

Cents per Share

<b>Basic Earnings per Share</b>	<b>138.88</b>	124.33
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Diluted earnings per share is not materially different from basic earnings per share.

**Reconciliation of Earnings Used in the Calculation of Earnings per Share**

Operating profit after income tax	271,966	222,411
Outside equity interests in operating loss after income tax	1,310	189
Distribution paid or provided on Macquarie Income Securities	(31,312)	(12,352)
<b>Total Earnings Used in the Calculation of Earnings per Share</b>	<b>241,964</b>	210,248

**Weighted Average Fully Paid Ordinary Shares Used in the Calculation of Earnings per Share**

	Number	
Weighted average fully paid ordinary shares	174,029,958	167,959,529
Weighted average fully paid equivalents of partly paid shares	198,425	1,151,771
<b>Total Weighted Average Fully Paid Ordinary Shares Used in the Calculation of Earnings per Share</b>	<b>174,228,383</b>	169,111,300

The weighted average number of fully paid ordinary shares has been calculated using potential ordinary shares in accordance with AASB 1027 "Earnings per Share".

**Information Concerning the Classification of Securities**

Partly paid shares carry the right to participate in dividends as detailed in Note 34 – Employee Equity Participation, and to that extent they have been recognised as equivalents of fully paid ordinary shares in the determination of basic earnings per share.

**MACQUARIE BANK LIMITED**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
AS AT 31 MARCH 2001**

	<b>Consolidated 2001 \$'000</b>	Consolidated 2000 \$'000	<b>Bank 2001 \$'000</b>	Bank 2000 \$'000
<b>5. LOANS AND ADVANCES (IMPAIRED ASSETS)</b>				
Loans and advances include impaired assets which are classified as:				
Non-Accrual Loans Without Specific Provisions for Impairment	<b>7,886</b>	3,973	<b>6,644</b>	3,211
Non-accrual loans with specific provisions for impairment	<b>27,135</b>	16,566	<b>24,482</b>	15,999
Less specific provisions	<b>(11,790)</b>	(7,721)	<b>(10,911)</b>	(7,407)
<b>Total Non-Accrual Loans with Specific Provisions for Impairment</b>	<b>15,345</b>	8,845	<b>13,571</b>	8,592
Real estate acquired through the enforcement of security *	<b>12,380</b>	13,473	<b>12,380</b>	13,472
Less specific provisions	<b>(3,880)</b>	(3,480)	<b>(3,880)</b>	(3,479)
<b>Total Real Estate Acquired Through the Enforcement of Security</b>	<b>8,500</b>	9,993	<b>8,500</b>	9,993
<b>Total Net Impaired Assets</b>	<b>31,731</b>	22,811	<b>28,715</b>	21,796
<b>Revenue Recognised in Respect of Impaired Assets</b>				
Interest on non-accrual loans	<b>251</b>	175	<b>127</b>	94
Other revenue	<b>28</b>	194	<b>28</b>	194
<b>Total Revenue Recognised in Respect of Impaired Assets</b>	<b>279</b>	369	<b>155</b>	288
<b>Revenue Forgone on Impaired Loans</b>				
Interest	<b>3,321</b>	2,864	<b>2,903</b>	2,812
Other revenue	<b>31</b>	4	<b>31</b>	4
<b>Total Revenue Forgone on Impaired Loans</b>	<b>3,352</b>	2,868	<b>2,934</b>	2,816

\* The real estate acquired through the enforcement of security are commercial properties located in Melbourne. The amounts recorded represent the net fair values of the properties. The Bank does not use the properties as part of its operations.

**MACQUARIE BANK LIMITED**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**AS AT 31 MARCH 2001**

**6. AVERAGE INTEREST-BEARING ASSETS AND LIABILITIES, AND RELATED INTEREST**

The average balances of interest-bearing assets and liabilities during the financial year are presented below:

	Average Balance \$'000	Interest income/(expense) \$'000	Average Interest rate %
<b>Consolidated 2001</b>			
<b>Interest-bearing assets</b>			
Cash and liquid assets	157,543	8,620	5.5
Securities purchased under resale agreements	2,291,847	137,363	6.0
Securities	3,348,262	207,619	6.2
Due from other financial institutions	688,345	40,805	5.9
Due from governments	688,907	49,287	7.2
Loans and advances	5,552,916	463,228	8.3
Lease receivables	371,303	30,476	8.2
Other assets	300,373	24,412	8.4
<b>Interest-bearing liabilities</b>			
Due to other financial institutions	891,069	(50,396)	5.7
Securities sold under repurchase agreements	913,025	(53,791)	5.9
Securities borrowed	572,888	(35,545)	6.2
Deposits	4,204,976	(240,855)	5.7
Due to governments	235,940	(2,762)	1.2
Negotiable certificates of deposit	2,065,398	(130,515)	6.3
Notes payable	3,829,044	(237,554)	6.2
Other liabilities	260,520	(13,814)	5.3
Subordinated debt	284,797	(19,158)	6.7
Converting Preference Shares	150,000	(11,085)	7.4

**Consolidated 2000**

<b>Interest-bearing assets</b>			
Cash and liquid assets	65,319	3,278	5.0
Securities purchased under resale agreements	3,014,555	157,356	5.2
Securities	3,873,462	234,573	6.1
Due from other financial institutions	872,949	47,737	5.5
Due from governments	611,369	45,046	7.4
Loans and advances	4,811,915	333,239	6.9
Lease receivables	321,867	24,645	7.7
Other assets	354,923	34,330	9.7
<b>Interest-bearing liabilities</b>			
Due to other financial institutions	371,723	(21,302)	4.1
Securities sold under repurchase agreements	984,600	(54,199)	5.5
Securities borrowed	2,762,464	(176,521)	6.4
Deposits	4,465,702	(223,511)	5.0
Due to governments	220,000	(31,003)	1.4
Negotiable certificates of deposit	2,466,259	(126,876)	5.1
Notes payable	1,444,221	(81,165)	5.6
Other liabilities	42,146	(2,023)	4.8
Subordinated debt	310,665	(20,308)	6.5
Converting Preference Shares	92,466	(6,827)	7.4

Interest is received/charged on balances due from/to clearing houses. Average interest income/expense is not recorded in respect of these balances as they fluctuate between receivables and payables on a day-to-day basis.

Average interest income and expense in relation to assets and liabilities set off in the Balance Sheet in accordance with applicable accounting standards are not included in the above analysis. Such interest and expense is shown gross in Note 2 - Operating Profit in accordance with the requirements of AASB 1004 "Revenue".

**MACQUARIE BANK LIMITED**  
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**FIVE YEAR SUMMARY**

Year ended 31 March	1997	1998	1999	2000	2001
<b>Profit and Loss (\$ million)</b>					
Operating income	530.1	664.7	815.1	1,186.5	1,455.9
Operating expenses	391.9	497.9	597.3	885.1	1,130.6
Operating profit before income tax	138.2	166.9	217.8	301.4	325.3
Income tax expense	21.3	25.7	52.8	79.0	53.3
Operating profit after income tax	116.9	141.2	165.0	222.4	272.0
Outside equity interest in operating loss	-	-	-	0.2	1.3
Macquarie Income Securities distribution	-	-	-	12.4	31.3
Operating profit after income tax attributable to ordinary equity holders	116.9	141.2	165.0	210.2	242.0
<b>Balance Sheet (\$ million)</b>					
Total assets	6,142	7,929	9,456	23,389	27,848
Total liabilities and loan capital	5,642	7,348	8,805	22,154	26,510
Shareholders' equity					
(inclusive of outside equity interests)	500	581	651	1,235	1,338
Risk weighted assets	4,686	4,967	4,987	8,511	9,860
Total loan assets (a)	2,682	3,158	4,002	6,518	7,769
Impaired assets (net of provisions)	46	12	44	23	32
<b>Share Information</b>					
Cash dividends per share (cents per share)					
1st Half	18.0	21.0	30.0	34.0	41.0
2nd Half (b)	25.0	30.0	38.0	52.0	52.0
Total (b)	43.0	51.0	68.0	86.0	93.0
Basic earnings per share (cents)	74.9	88.1	101.3	124.33	138.88
Share price at 31 March (\$)	8.50	14.35	19.10	26.40	27.63
Issued capital (million shares) (b)	151.4	157.6	161.1	171.2	175.9
Market capitalisation at 31 March (fully paid ordinary shares) (\$ million)	1,287	2,262	3,077	4,520	4,858
<b>Ratios</b>					
Return on average ordinary shareholders' funds	25.2%	26.1%	26.8%	28.1%	27.1%
Payout ratio	60.5%	57.9%	67.2%	70.0%	67.5%
Tier 1 ratio	12.9%	11.7%	13.0%	14.5%	12.9%
Capital adequacy ratio	13.2%	16.4%	17.3%	18.4%	16.0%
Impaired assets as % of loan assets	1.7%	0.4%	1.1%	0.3%	0.4%
Net loan losses as % of loan assets	0.0%	0.0%	0.1%	0.1%	0.1%
<b>Funds Under Management (\$ billion)</b>					
Listed	1.5	2.3	3.0	4.2	6.9
Unlisted					
Retail	7.2	8.9	9.8	9.6	10.6
Wholesale	8.6	10.5	10.0	12.5	13.4
<b>Total</b>	<b>17.3</b>	<b>21.7</b>	<b>22.8</b>	<b>26.3</b>	<b>30.9</b>
<b>Staff Numbers</b>	<b>1,965</b>	<b>2,474</b>	<b>3,119 (c)</b>	<b>4,070 (c)</b>	<b>4,467(c)</b>

(a) Includes loans & advances, lease receivables, balances due from other financial institutions and balances due from governments.

(b) Number of fully paid shares at 31 March, excluding options and partly paid shares.

(c) Includes both permanent staff and contractors.